AR23

McALLISTER TOWING LTD.

and its subsidiary companies including

ISLAND TUG & BARGE LIMITED

ANNUAL REPORT 1967

McAllister was proud to have its tugs assist at the official opening of Expo '67, which was signalled by the passage of the "Golden Centennaires" over Place des Nations. Some of the familiar sights in the background include the British Pavilion, the Minirail, Concordia Bridge and one of the theme pavilions—Man the Producer.

McALLISTER TOWING LTD.

DIRECTORS

W. Leslie Forster, C.B.E.
August A. Franck
Emile Heyrman
Kenneth S. Howard, Q.C.
Anthony J. McAllister
Charles D. McAllister
Gerard M. McAllister
James P. McAllister
James P. McAllister III
Jean-Maurice Vaes

OFFICERS

W. Leslie Forster, C.B.E., *Chairman of the Board*
James P. McAllister, *Vice-Chairman of the Board*
James P. McAllister III, *President*
Donal G. McAllister, *Executive Vice-President*
Gerard M. McAllister, *Vice-President and Secretary*
Anthony J. McAllister, *Vice-President*
Angus A. MacNaughton, C.A., *Vice-President - Finance*
Louis J. Riso, *Treasurer*
Trevor H. Caron, C.A., *Assistant Treasurer and Assistant Secretary*

GENERAL COUNSEL

Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault, *Montreal*

AUDITORS

McDonald, Currie & Co., *Montreal*

TRANSFER AGENT & REGISTRAR

Montreal Trust Company, *Halifax, Montreal, Toronto, Winnipeg & Vancouver*

HEAD OFFICE

20 Grey Nuns Street, *Montreal, Quebec*

ISLAND TUG & BARGE LIMITED

DIRECTORS

Arthur B. Elworthy
Harold B. Elworthy
W. Leslie Forster, C.B.E.
Emile Heyrman
Kenneth S. Howard, Q.C.
Anthony J. McAllister
Charles D. McAllister
Gerard M. McAllister
James P. McAllister
Jean-Maurice Vaes

OFFICERS

Harold B. Elworthy, *Chairman of the Board*
James P. McAllister, *Vice-Chairman*
Arthur B. Elworthy, *President*
Donald B. Elworthy, *Vice-President*
Edward Judd, C.A., *Vice-President, Secretary and Treasurer*
Gordon B. Elworthy, *Vice-President and Assistant Secretary*
Frederick W. Skinner, *Vice-President*
Jacques S. Heyrman, *Assistant to the President*
Donald F. Sherwood, C.A., *Assistant Treasurer*

GENERAL COUNSEL

Crease & Company, *Victoria*

AUDITORS

McDonald, Currie & Co., *Vancouver*

TRANSFER AGENT & REGISTRAR

The Royal Trust Company, *Victoria*

HEAD OFFICE

345 Harbour Road, *Victoria, British Columbia*

DIRECTORS' REPORT TO THE SHAREHOLDERS

Your Board of Directors is pleased to submit herewith the Annual Report for 1967, together with the Report of Auditors, McDonald, Currie & Co.

FINANCIAL

Income from operations for 1967 reached a record high of $11,299,000, an increase of 6% over the year 1966; net earnings for the year amounted to $1,030,000, a decrease of $263,000 from the $1,293,000 earned in 1966. Earnings per common share after all charges, including payment of the dividend on the preference shares of Island Tug & Barge Limited, were $1.03 as compared with the 1966 earnings of $1.29 per share.

The Company made capital expenditures in 1967 of $1,465,000, continuing its policy of providing more modern and efficient equipment to meet the rising demand for its services and to counter rising operating costs.

EASTERN OPERATIONS
(St. Lawrence River & Great Lakes)

Revenues remained almost the same in the East during 1967 as compared to 1966, despite a decrease in shipping activity in the Port of Montreal. An increase in winter operations and salvage activity offset these decreases to a great extent.

The Canada Labour (Standards) Code with its provision for a forty-hour week, has resulted in additional crew members being added to the Company's tugs with a significant increase in operating costs. The prospects for 1968 will hinge to a large extent on a solution to the labour unrest among longshoremen in Montreal.

WESTERN OPERATIONS
(Pacific Coast)

The pattern of continuing growth in volume experienced in the Company's Western Operations in previous years was sustained in 1967, but profits declined, reflecting the general trend of increased costs prevalent in British Columbia. New labour agreements effected during the year together with the implementation of the Canada Labour (Standards) Code resulted in substantial increases in direct operating costs and were major contributors to the reduction in profits encountered by the Company in 1967.

To meet the increased volume of business, two new 1,200 H.P. tugs and a 530 H.P. tug were placed in service during the year and six chip barges were added to your Company's fleet.

A new 3,600 H.P. tug, the ISLAND KING, which is under construction, and will see service in July 1968, will feature the most advanced Kort Nozzle propulsion system on the Pacific Coast. A further expansion is also underway to the barge fleet to satisfy projected increases in the movement of wood chips and other forest products.

SOGEMINES LIMITED PROPOSAL

In regard to the Sogemines Limited proposed offer for all outstanding shares of the Company, tax consultants and legal advisers have informed us that the requested ruling from the United States Internal Revenue Service should be forthcoming in the near future.

MANAGEMENT AND STAFF

The Board again wishes to express its thanks to the management and all employees for their contribution to the continued progress of the Company.

Signed on behalf of the Board

JAMES P. McALLISTER III
President

Montreal, Quebec
March 22, 1968

McALLISTER TOWING LTD.

and its subsidiary co

CONSOLIDATED BALANCE SHEET as at December

ASSETS	1967	1966
CURRENT ASSETS	$	$
Cash	383,304	419,840
Short-term deposits	977,349	335,349
Accounts and claims receivable (note 2)	1,961,046	2,733,406
Funds in escrow	62,668	222,641
Prepaid expenses and supplies	566,774	479,650
	3,951,141	4,190,886
OTHER ASSETS		
Investments—at cost	7,710	22,940
Cash surrender value of life insurance	58,278	54,259
Special refundable income tax	59,217	61,413
Deposit with trustee (note 7)	99,900	59,296
	225,105	197,908
FIXED ASSETS		
Vessels, property and equipment—at cost (note 3)	22,712,148	21,491,018
Accumulated depreciation	9,052,247	8,009,378
	13,659,901	13,481,640
	17,836,147	17,870,434

Signed on behalf of the Board

JAMES P. McALLISTER III, Director

A. A. FRANCK, Director

anies including

ISLAND TUG & BARGE LIMITED

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	1967	1966
LIABILITIES		
CURRENT LIABILITIES	$	$
Accounts payable and accrued liabilities	1,230,265	1,530,756
Income taxes	46,996	128,066
Funded debt—maturing within one year	970,117	682,617
	2,247,378	2,341,439
FUNDED DEBT—not maturing within one year (see schedule)	6,067,617	7,037,734
MINORITY INTEREST		
Island Tug & Barge Limited—preference shares	500,000	500,000
	8,814,995	9,879,173
SHAREHOLDERS' EQUITY		
CAPITAL STOCK (note 4)		
Authorized—1,500,000 shares without nominal or par value Issued and fully paid—1,000,000 shares	2,500,000	2,500,000
RETAINED EARNINGS	6,521,152	5,491,261
	9,021,152	7,991,261
	17,836,147	17,870,434

McALLISTER TOWING LTD.

and its subsidiar

FOR THE YEAR ENDED DECEMBER 31, 1967

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	1967	1966
	$	$
BALANCE—BEGINNING OF YEAR	5,491,261	4,198,695
Net earnings for the year	1,029,891	1,292,566
BALANCE—END OF YEAR	6,521,152	5,491,261

CONSOLIDATED STATEMENT OF EARNINGS

	1967	1966
	$	$
INCOME FROM OPERATIONS	11,299,236	10,639,204
OPERATING, GENERAL AND ADMINISTRATIVE EXPENSES	9,811,134	8,839,054
	1,488,102	1,800,150
INTEREST ON FUNDED DEBT	459,361	478,027
	1,028,741	1,322,123
OTHER INCOME		
Investment income	60,140	70,579
Profit on disposal of fixed assets	19,880	68,829
	80,020	139,408
	1,108,761	1,461,531
PROVISION FOR INCOME TAXES—after reduction of $43,189 on application of loss of a prior year (note 5)	41,370	131,465
	1,067,391	1,330,066
MINORITY INTEREST		
Dividend paid on preference shares of a subsidiary company	37,500	37,500
NET EARNINGS FOR THE YEAR (note 6)	1,029,891	1,292,566

companies including

ISLAND TUG & BARGE LIMITED

CONSOLIDATED STATEMENT OF SOURCE AND USE OF FUNDS

	1967 $	1966 $
SOURCE		
Net earnings for the year	1,029,891	1,292,566
Add: Charges not requiring cash outlay—		
Depreciation	1,286,484	1,171,232
Other	—	4,000
	2,316,375	2,467,798
USE		
Purchase of fixed assets—net	1,464,745	2,627,546
Additions to other assets—net	27,197	122,885
Reduction in long-term debt	970,117	682,617
	2,462,059	3,433,048
DECREASE IN WORKING CAPITAL	145,684	965,250

SCHEDULE OF FUNDED DEBT

	1967 $	1966 $
McALLISTER TOWING LTD.		
5¾% first mortgage serial bonds Series "A" maturing in annual instalments of $200,000 to November 1, 1969	400,000	600,000
Series "B" maturing in annual instalments of $75,000 to November 1, 1972	375,000	450,000
5% first mortgage loans maturing in annual instalments of $32,617 to November 30, 1969	65,234	97,851
6% loan payable to shareholder maturing December 31, 1969	125,000	125,000
5% subordinated unsecured loans maturing December 31, 1969	250,000	250,000
	1,215,234	1,522,851
ISLAND TUG & BARGE LIMITED		
4¾% first mortgage serial bonds Series "A" maturing by July 2, 1970	480,000	630,000
6¼% first mortgage sinking fund bonds series "B" maturing by July 2, 1972 and payable in United States funds	540,000	600,000
6½% first mortgage sinking fund bonds series "C" maturing by July 2, 1972	250,000	300,000
6½% first mortgage sinking fund bonds series "D" maturing by December 31, 1980	4,000,000	4,000,000
	5,270,000	5,530,000
McALLISTER-PYKE SALVAGE LTD.		
5¾% first mortgage serial bonds series "A" maturing in annual instalments of $90,000 to April 1, 1973	540,000	630,000
5¾% notes payable due in semi-annual instalments of $12,500 to June 30, 1968	12,500	37,500
	552,500	667,500
	7,037,734	7,720,351
FUNDED DEBT		
Maturing within one year	970,117	682,617
Not maturing within one year	6,067,617	7,037,734
	7,037,734	7,720,351

McALLISTER TOWING LTD. *and its subsidiary companies*

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Year ended December 31, 1967

1. The consolidation includes the accounts of the Company and all its subsidiaries.
2. The accounts receivable include claims for $353,498 in respect of salvage contracts. Claims filed under Lloyd's open form procedure amount to $130,203 of which $102,437 is secured by lien on the ships and cargoes. Management is of the opinion that the final awards, in aggregate, will not be less than the amount claimed.
3. The excess of the purchase price of shares of Island Tug & Barge Limited over their book value at date of purchase amounted to $582,023 which has been allocated, in the consolidation, to the cost of fixed assets of the companies.
4. Of the unissued shares, 50,000 have been reserved for options to directors, officers and full-time employees of the company or its subsidiaries. The plan provides that options be exercisable on or before June 30, 1974. The price per share is $8 to June 30, 1969, increasing by fifty cents in each of the next three years to June 30, 1972. No options have yet been granted.
5. The companies have followed the practice of claiming capital cost allowance in excess of depreciation recorded in the accounts, and, as a result, taxes otherwise payable have been reduced by $465,800 in 1967, $530,600 in 1966 and, in the aggregate to date, by $3,759,700.
6. Net earnings for the year have been determined after deducting the following items:

	1967	1966
	$	$
Depreciation of fixed assets	1,286,484	1,171,232
Remuneration paid to directors as directors or officers	39,828	31,445

7. The company is contingently liable in respect of $99,900 of additional purchase price of shares of a subsidiary company and in accordance with the agreement, this amount has been deposited with a trustee.
8. The deed of trust and mortgage securing the first mortgage bonds of Island Tug & Barge Limited restricts dividend payments to amounts which would not reduce the consolidated retained earnings of that company and its subsidiaries below the balance as at December 31, 1964.
9. The estimated costs to complete a vessel under construction for Island Tug & Barge Limited amount to approximately $458,000.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the consolidated balance sheet of McAllister Towing Ltd. and its subsidiaries as at December 31, 1967 and the consolidated statements of earnings, retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and use of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, February 28, 1968

McDONALD, CURRIE & CO.
Chartered Accountants

Island Tug's new 1200-H.P. Kort Nozzle equipped tugs ISLAND MASTER and ISLAND CHIEF undergo trials in English Bay, Vancouver Harbour. Due largely to increased efficiency in design the new vessels have exceeded expectations in barge towing operations serving the lumber and pulp and paper industries along the coast of the B.C. Mainland and Vancouver Island.

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This Offer is restricted to the holders of shares of McAllister Towing Ltd. but is not otherwise to be construed as a public offering.

No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence.

Sogemines

OFFER

to the holders of shares

of

McAllister Towing Ltd.

by

Sogemines Limited

The basis of this Offer is as follows:

Nine common shares without nominal or par value of Sogemines for each ten shares without nominal or par value of McAllister.

This Offer is, subject to the provisions hereof, open for acceptance up to and including Tuesday, June 18, 1968.

This Offer will not be binding on Sogemines, (i) unless and until acceptances have been received with respect to at least 615,000 shares of McAllister, and (ii) if the acquisition of the shares of McAllister is disallowed by the Canadian Transport Commission, in which regard reference is made to page 3 hereof.

The formal Offer is set forth on page 3 hereof.

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The following constitutes full, true and plain disclosure of all material facts relating to the common shares without nominal or par value of Sogemines Limited offered by it in exchange for the issued and outstanding shares without nominal or par value of McAllister Towing Ltd. not now owned by Sogemines Limited as required by Part IX of The Securities Act, 1966 (Ontario) and the regulations thereunder, Part X of The Securities Act, 1967 (Saskatchewan) and the regulations thereunder, Part 9 of The Securities Act, 1967 (Alberta) and the regulations thereunder and Part IX of the Securities Act, 1967 (British Columbia) and the regulations thereunder.

Sogemines Limited

Montreal, Quebec, April 16, 1968

To the holders of shares
without nominal or par
value of McAllister
Towing Ltd.:

Sogemines Limited (herein called the "Company") hereby offers to acquire, subject to the terms and conditions hereinafter set forth, all your shares of the capital stock of McAllister Towing Ltd. (herein called "McAllister") on the basis of nine fully paid and non-assessable common shares without nominal or par value (herein called "Common Shares") of the capital stock of the Company for each ten shares of McAllister.

1. Period and Manner of Acceptance. This offer (herein called the "Offer") may be accepted by you at any time up to and including Tuesday, June 18, 1968 or any later date to which the Offer may be extended from time to time by notice given in the manner hereinafter set forth (which period of time up to June 18, 1968 and all extensions thereof is herein called the "Offering Time") by completing promptly in the manner therein specified the form of letter of transmittal (page 25) attached hereto and forwarding it, together with the certificate(s) representing your shares of McAllister, to Montreal Trust Company (herein called the "Exchange Agent") at any of the following offices: 1695 Hollis Street, Halifax, Nova Scotia; 43 King Street, Saint John, New Brunswick; 777 Dorchester Boulevard West, Montreal, Quebec; 15 King Street West, Toronto, Ontario; Notre Dame at Albert Street, Winnipeg, Manitoba; 10185-102 Street, Edmonton, Alberta; and 466 Howe Street, Vancouver, British Columbia; which letter of transmittal and certificate(s) must be delivered or mailed to the Exchange Agent within the Offering Time. Such certificate(s) need not be endorsed by you, but the letter of transmittal must be executed and the execution thereof guaranteed, all as specified in the letter of transmittal. Notice of any extension of the date up to which the Offer may be accepted shall be given by prepaid mail addressed to shareholders of McAllister.

2. Fractional Shares. No fractional Common Shares will be issued. Fractional interests will be settled by the issue of cash by the Exchange Agent to each holder of shares of McAllister who would otherwise be entitled to receive a fractional Common Share the amount of cash to be based on the weighted average of all board-lot sales of Common Shares on the Montreal and Toronto Stock Exchanges on the last business day preceding the initial date upon which shares of McAllister are taken up by the Company as provided in paragraph 4 hereof or, if no board lots have traded, the average mean of the closing quotes on the said two Exchanges on such day. It is estimated that the cash required to effect payment of any such fractional interests will not be in excess of $1,000 and the Company will make arrangements to ensure that funds in that amount will be deposited with the Exchange Agent prior to said initial date of taking up.

3. Special Conditions. The Company shall not be bound by your acceptance of the Offer (i) unless and until the Exchange Agent advises the Company that the Offer has been accepted during the Offering Time with respect to at least 615,000 shares of McAllister, and (ii) if the acquisition of the shares of McAllister is disallowed by the Canadian Transport Commission pursuant to the provisions of the National Transportation Act. Such disallowance may only occur if, after public

notice, objections are made to the Canadian Transport Commission and if in the opinion of the Canadian Transport Commission such acquisition will unduly restrict competition or otherwise be prejudicial to the public interest. Management of the Company have no knowledge of any grounds which would result in such acquisition being so disallowed.

4. Delivery. Upon the fulfilment or waiver of the conditions referred to in paragraph 3 hereof but in any event not prior to June 18, 1968 any shares of McAllister, certificate(s) for which and the properly executed and guaranteed letter of transmittal in respect of which are delivered to the Exchange Agent within the Offering Time and in the manner herein provided, shall be taken up and there will be issued and forwarded by insured mail to each shareholder accepting the Offer, at the address under which the surrendered shares of McAllister are registered, unless instructions have been given in the letter of transmittal to deliver against counter receipt or otherwise (in which event such instructions will be followed):—

(a) certificate(s) for the appropriate number of Common Shares issued in the name under which the surrendered shares of McAllister are registered, unless indicated otherwise in the letter of transmittal, and

(b) where applicable, a cheque in an amount representing a fractional Common Share payable at par in Montreal to the order of the name under which the surrendered shares of McAllister are registered, unless indicated otherwise in the letter of transmittal.

If the conditions referred to in paragraph 3 hereof are not fulfilled or waived by the Company prior to July 1, 1968, certificate(s) for all shares delivered by you to the Exchange Agent pursuant to the Offer shall be returned as soon as possible in the same manner as is provided above in this paragraph 4 for the delivery of certificate(s) for Common Shares provided, however, that such date of July 1, 1968 may be extended by the Company for a further period or periods totalling not more than 90 days in the event that any objections to the acquisition of the shares of McAllister are made to the Canadian Transport Commission and have not been disposed of or acted upon by the Commission.

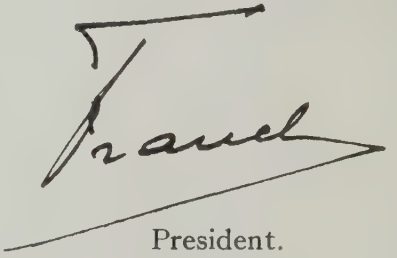
5. Right of Withdrawal. Any shares deposited pursuant to the Offer may be withdrawn by you at any time until but not after the expiration of seven (7) days from the date on which the Offer was mailed.

6. Transfer Taxes. The Company will pay the stock transfer taxes in respect of the transfer to it of the shares of McAllister.

7. Waiver of Conditions. Any or all the conditions of paragraph 3 hereof may be waived in whole or in part by the Company.

Shareholders are advised to use registered mail for their protection when forwarding their certificate(s).

SOGEMINES LIMITED



President.

SUMMARY OF THE ATTRIBUTES AND CHARACTERISTICS RELATING TO THE COMMON SHARES OF THE COMPANY.

Dividends: The Company paid in respect of the year ended December 31, 1967 a dividend of 65¢ on each Common Share. Further particulars as to the payment of dividends by the Company in recent years are set forth under the heading "Dividend Record" on page 6.

Voting Rights: The holders of the Common Shares are entitled to one vote per share at all meetings of shareholders.

Listing: The Common Shares are listed on the Montreal, Toronto, Calgary and Vancouver Stock Exchanges and the Brussels and Antwerp Bourses. Application will be made for listing the Common Shares to be issued pursuant to the terms of the Offer on the said Exchanges and Bourses.

Registrar and Transfer Agent: Montreal Trust Company, Saint John, N.B.; Montreal, Que.; Toronto, Ont.; Edmonton, Alta.; and Vancouver, B.C.

EXPENSES OF ACQUISITION

The Company will pay to Pitfield, Mackay, Ross & Company Limited and Richardson Securities of Canada a management fee of $15,000 and may pay to the Soliciting Dealer Group a fee of 12¢ per share of McAllister exchanged pursuant to the Offer as more fully set out in paragraph (ix) on page 17 under the heading "Material Contracts". Legal, auditing, printing and miscellaneous expenses, estimated to amount to $40,000, are to be borne by the Company.

MATERIAL CHANGE IN McALLISTER

The Company does not know of any information that indicates any material change in the financial position or prospects of McAllister since December 31, 1967.

MATERIAL CHANGE IN THE COMPANY

The Company does not know of any information that indicates any material change in the financial position or prospects of the Company since December 31, 1967 except as regards acquisitions made since that date and referred to in Note 2 to the Consolidated Financial Statements on page 21.

DIVIDEND RECORD

The Company has paid the following dividends on its outstanding Common Shares in respect of each of the following years ended December 31:

	1963(1)	1964(1)	1965	1966	1967(2)
Per share	—	—	60¢	65¢	65¢
Total amount (000's)	—	—	$2,820	$3,055	$3,165

(1) Prior to the consolidation in 1965 referred to under the heading "Organization and Development" on page 7 no dividends were paid by the Company. However, dividends were paid regularly by Inland Cement Company Limited in each of the years 1959 to 1964 inclusive. In respect of the years 1963 and 1964 Inland Cement Company Limited paid dividends of 8% per share on its 6% Participating Preferred Shares and on its Ordinary Shares.

(2) Declared on December 13, 1967 and paid on January 12, 1968.

MARKET PRICE RANGE AND VOLUME OF TRADING OF SHARES OF McALLISTER AND COMMON SHARES OF THE COMPANY

The following is a summary showing in reasonable detail the market price range in dollars per share and volume of trading of the shares of McAllister on the Montreal Stock Exchange, the market price range in dollars per share of the Common Shares of the Company on the Montreal and Toronto Stock Exchanges and the volume of trading of the Common Shares of the Company on the Montreal and Toronto Stock Exchanges and on the Brussels and Antwerp Bourses in the six month period preceding the date of the Offer:

	McAllister			the Company		
Month of	High	Low	Volume	High	Low	Volume
October, 1967	$14	$11	21,066	$16⅞	$15½	86,015
November, 1967	11⅛	10⅛	4,415	16	15	42,588
December, 1967	11	10	10,485	15½	13½	58,893
January, 1968	10	9	2,810	14½	13¼	71,315
February, 1968	10½	9	5,515	14⅜	13⅝	37,634
March, 1968	9⅝	8¾	6,495	14¼	13	46,989

It should be noted that an announcement concerning the proposal to make this Offer was made in October, 1967.

THE COMPANY

Sogemines Limited (the "Company") directly and through its subsidiaries is engaged in the manufacture and distribution of portland cement, industrial chemicals, fertilizer materials and mixed fertilizers, in the import of steel and non-ferrous metals and in the distribution of industrial products. Apart from its interest in McAllister, the Company also has substantial interests in companies in the pulp and paper industry and in real estate. As a result of the diversity of its operations and investments, the Company's interests extend to every province of Canada and into the United States.

The Company's policy is to found or acquire businesses in those industries which offer better than average earnings potential with the objective of enhancing its base for growth through diversification. The Company in association with others participated in the founding of three companies whose assets and operations were consolidated into those of the Company in 1965. Subsequently the Company has carried on an active acquisition programme with the result that its consolidated sales have increased from approximately $37,000,000 in 1965 to approximately $88,000,000 in 1967, the latter reflecting in the case of acquisitions made during 1967 only sales from the dates of acquisition. Consolidated assets at December 31, 1967 exceeded $134,000,000.

The Company carries on its principal operations through its several divisions which operate as separate profit centres with their respective divisional chief executives having full authority for production and marketing and responsibility for earnings. The Company's corporate management concentrates on the development of new opportunities, expansion and diversification and is responsible for the co-ordination of the Company's financial resources.

The address of the Company's head office and principal office is 1 Place Ville Marie, Montreal, Quebec.

ORGANIZATION AND DEVELOPMENT

The Company was incorporated under the laws of Canada by Letters Patent dated May 9, 1951 as a private investment company under the sponsorship of Société Générale de Belgique. By Supplementary Letters Patent dated June 15, 1955 it became a public company.

The Company, in association with other companies of the Société Générale de Belgique group, participated in the founding of Inland Cement Company Limited in 1954, Iroquois Glass Limited in 1958 and Brockville Chemicals Limited in 1959. In 1965, the Company owned 61% of the voting shares of Brockville Chemicals Limited, 58% of the voting shares of Iroquois Glass Limited and 44% of the voting shares of Inland Cement Company Limited, and during that year the assets of these three operating companies were consolidated with those of the Company and operating divisions of the Company were established. In 1967, the assets and operations of the Company's Iroquois Glass Division were sold to Consumers Glass Company Limited.

Since early 1966, the Company has made several significant acquisitions which have added substantially to its growth of operations. Included in these acquisitions were the acquisition by the Company in 1966 of the assets and operations of Indussa Canada Limited, an importer and exporter of steel and industrial products, and of Industrial Sales (1961) Limited, a domestic manufacturers' agent; the acquisition in March, 1967 of all the outstanding shares of Indussa Corporation of New York, an importer of steel and non-ferrous metals and exporter of industrial products; the acquisition in August, 1967 of all the outstanding shares of Adby Construction and Transport Co. Ltd. ("Adby Transport"), which operates a fleet of highway transports in western Canada; the acquisition in June, 1967 of the fertilizer operations in eastern Canada and in the northeastern United States of Canada Packers Limited and one of its subsidiaries and the acquisition in January, 1968 of all the outstanding shares of International Fertilizers Limited and Albatros Fertilizers, Inc. which conduct fertilizer marketing activities complementary to those acquired from Canada Packers Limited.

MANUFACTURING AND DISTRIBUTION

Under this heading "Manufacturing and Distribution" reference to the "Company" includes reference to its subsidiaries and the description of the operations of the Company's divisions includes

the operations of their predecessor companies. The three principal categories of the Company's manufacturing and distribution operations are as follows:

Cement

Through its Inland Cement Division the Company is one of the two major manufacturers of cement in the Prairie Provinces and one of the three largest in Canada, marketing normal portland, high early strength, sulphate resistant, oil well and masonry cements and cements to meet the requirements of special projects.

The location, annual rated capacity, number of kilns and site area of each of the division's plants are as follows:

Location	Annual rated capacity (barrels)	No. of kilns	Site area (acres)
Edmonton	3,300,000	3	265
Regina	1,300,000	1	309
Winnipeg	2,000,000	1	248
Total	6,600,000	5	822

All the plant sites are owned by the Company and provide ample space for future expansion. The Company owns and operates limestone quarries in Alberta and Manitoba, which supply the requirements of the Edmonton and Regina plants, and purchases the limestone requirements of its Winnipeg plant from local sources. The Company holds long-term leases on extensive limestone deposits in Manitoba to meet the future requirements of its Winnipeg plant.

The division markets its products in an area which extends from the Lakehead to eastern British Columbia and includes the northwestern United States and the Northwest Territories. The division's 1967 sales were made to over 1,850 customers including ready-mix operators, concrete product manufacturers, building supply dealers, oil well cementing firms, construction contractors and all levels of government. The Company maintains sales offices in Edmonton, Calgary, Regina, Saskatoon, Winnipeg and Port Arthur and modern distribution centres which are fully utilized in Calgary, Saskatoon and Port Arthur.

The five-year growth in the division's sales of cement compared with the growth in the dollar value of total Canadian cement shipments is illustrated by the following table using an index figure of 100 to represent 1963 sales and value of shipments respectively.

	1963	1964	1965	1966	1967
Inland Cement Division's sales of cement	100	106	133	148	164
Value of total Canadian cement shipments[1]	100	110	120	133	123[2]

(1) Source: Dominion Bureau of Statistics.
(2) Preliminary figure.

The cement industry has had a relatively stable record of growth and over the past 25 years the Canadian shipments of cement have increased annually except for two years. The Inland Cement Division's established position in western Canada has enabled it to benefit from the rapid rate of growth in that region and this division can continue to increase its sales without substantial expenditures for additional capacity. The continuing population expansion, increased government expenditures and industrial expansion, together with increased recognition of the advantages of reinforced and pre-cast concrete construction, hold considerable potential for the continuing growth of the division's operations.

Adby Transport owns a fleet of more than 70 highway transport units operating out of terminals located in Edmonton and Calgary. The fleet is used primarily for the distribution of the Inland

Cement Division's products and also provides trucking services for other customers in Alberta and British Columbia.

The Company has entered into a letter of intent with respect to the acquisition of all the outstanding shares of J. Kearns Transport Ltd. which operates a fleet of highway transport units in the four western Provinces out of terminals in Regina and Saskatoon. Its operations complement those of Adby Transport.

Industrial Chemicals, Fertilizer Materials and Mixed Fertilizers

The Company's Brockville Chemical Division is a manufacturer of industrial chemicals, fertilizer materials and mixed fertilizers.

The division's industrial chemicals and fertilizer materials plant is located on a 324 acre site at Maitland, Ontario, which provides ample space for future expansion. The plant's approximate annual capacity is 80,000 tons of ammonia, 55,000 tons of ammonium nitrate, 125,000 tons of nitrogen solutions, 163,000 tons of nitric acid, 50,000 tons of urea and varying amounts of related industrial gases. During 1967 the plant's capacities were substantially utilized. No expansion of such facilities is presently contemplated.

A substantial portion of the Maitland plant's production is presently sold to Du Pont of Canada Limited ("Du Pont") under a ten-year contract which expires at the end of 1971. This contract covers the sale to Du Pont of ammonia, hydrogen, nitrogen and certain ammonia based products which are delivered by direct pipeline to Du Pont's Maitland works. The balance of the plant's production is marketed throughout Ontario, Quebec and the Maritime Provinces in Canada and in the northeastern and midwestern United States by the division's own marketing personnel and agents. These products are sold under the Brockville Chemical Division's own trade name "Bull's Eye" to the chemical and pulp and paper industries, explosives manufacturers and fertilizer distributors and dealers.

The five-year growth in the division's sales of industrial chemicals and fertilizer materials compared with the growth in dollar value of the total Canadian chemical industry's shipments (which includes fertilizer materials) is illustrated in the following table using an index figure of 100 to represent 1963 sales and value of shipments respectively.

	1963	1964	1965	1966	1967
Brockville Chemical Division's sales of industrial chemicals and fertilizer materials	100	104	126	148	149
Value of total Canadian chemical industry's shipments(1)	100	109	120	131	134(2)

(1) Source: Dominion Bureau of Statistics.
(2) Preliminary figure.

As a result of its recent acquisitions, the Company produces a wide variety of mixed fertilizers from fertilizer materials purchased from other manufacturers and obtained from its Maitland plant. Fertilizer mixing operations are carried out at 12 processing plants located in Ontario, Quebec, New Brunswick, Prince Edward Island, Nova Scotia and Maine. While these processing plants are presently operating near capacity, the nature of their operations is such that they can be expanded without substantial capital expenditures. The mixed fertilizers are marketed under the trade names "Shur-Gain", "Spruceleigh" and "Albatros" pursuant to limited term agreements with the owners of such trade names.

The mixed fertilizer operations acquired in 1967 and 1968 had a sales volume in 1967 of approximately 400,000 tons which represented over 30% of the total estimated consumption of mixed fertilizers in eastern Canada in that year. The products manufactured at the division's Maitland plant can be sold either as industrial chemicals or as fertilizer materials. The mixed fertilizer operations acquired during 1967 and 1968 have in the past purchased the major portion of their fertilizer materials on the open market and their 1967 consumption of fertilizer materials exceeded the total annual production capacity of the Maitland plant.

Import, Export and Industrial Products

Through its recently acquired Indussa operations, the Company is engaged in the importing of steel and lead, zinc and other non-ferrous metals for sale to fabricators and distributors in the United States and eastern Canada and in the exporting of industrial products. Sales offices are located in New York, Washington, Chicago, Houston, Los Angeles and San Francisco in the United States and in Montreal and Toronto in Canada.

During 1967, the Indussa operations imported into the United States and Canada from world suppliers approximately 300,000 tons of steel consisting of reinforcing bars, light structurals and a wide variety of hot and cold rolled mill products. These operations, which are of a trading nature with a low profit margin, accounted for most of the increase in the Company's 1967 consolidated sales.

The Company also acts as a manufacturers' agent in the north shore mining area of the St. Lawrence River, supplying industrial rubber goods to the mining industry through warehouse facilities which are owned at Sept Isles and Wabush. Through its Neelon Steel operations the Company manufactures cast steel grinding balls at its foundry in Sudbury for sale to the mining and cement industries in Canada and the United States. Such warehouse facilities and foundry are adequate to meet foreseeable requirements.

PULP AND PAPER

The Company owns 302,305 shares or 13.6% of the outstanding common shares of Fraser Companies, Limited which is engaged in the manufacture of sulphite and specialty papers, chemical wood pulps, groundwood pulp, paperboard and lumber products at plants located at Edmundston, Newcastle and Atholville, New Brunswick and at Madawaska, Maine. Its production in 1967 of approximately 355,000 tons of pulp, paper and paperboard products was sold in more than 20 countries throughout the world resulting in gross revenues of approximately $71,000,000. During the last three years over $46,000,000 has been spent for the expansion and modernization of its plants and properties. The Company has given consideration to offers received for its interest in Fraser Companies, Limited, none of which have been acceptable.

The Company owns approximately a 20% equity interest in Rothesay Paper Corporation, which completed construction of a newsprint mill at Saint John, New Brunswick, in late 1964. The mill comprises a single, high speed newsprint machine which during 1967 attained an operating level equal to 90% of its designed capacity resulting in the sale of 146,000 tons of newsprint. A large part of the newsprint production is sold under long-term contracts to various customers in the United States and West Germany.

REAL ESTATE

The Company, through a wholly-owned subsidiary, owns 450 acres of undeveloped land on the south shore of the St. Lawrence River opposite Montreal. The Company has an undivided one-third interest in a 600-unit apartment building complex known as the "Royal Dixie" located in suburban Montreal and also has a minority interest in Candiac Development Corporation, which is developing a residential, industrial and commercial complex on the south shore of the St. Lawrence River opposite Montreal.

OTHER INVESTMENTS

In addition to the investments described above, the Company has certain other investments including investments related to its operating divisions and over $5,500,000 principal amount of 6¾% Secured Debentures of Consumers Glass Company Limited due in annual instalments to 1973 being part of the price on the sale of the Company's Iroquois Glass Division.

PROPERTY

The physical property of the Company and its subsidiaries consists of land, buildings, machinery and equipment which as at December 31, 1967 had a consolidated net book value of $69,739,000. The following table shows the net book value of such properties after deducting accumulated depreciation as at December 31, 1967, according to the major areas of the Company's operations.

	Cost (1)	Accumulated Depreciation	Net Book Value (2)
Cement	$45,230,000	$7,882,000	$37,348,000
Industrial chemicals, fertilizer materials and mixed fertilizers	35,145,000	4,078,000	31,067,000
Import, export and industrial products	1,518,000	286,000	1,232,000
Other	146,000	54,000	92,000
	$82,039,000	$12,300,000	$69,739,000

(1) The properties of the Company and its subsidiaries are carried on their accounts at cost, except that an amount has been included which represents the difference between the cost of the Company's investments in the new subsidiaries which were created upon the amalgamation by acquisition in 1965 and the stated value of the net tangible assets represented by those investments, after giving effect to subsequent disposals (See Note 6 on page 21).

(2) Includes $1,113,000 net book value of fixed assets owned by subsidiaries.

The principal properties of the Company and its subsidiaries are as follows:

Location	Description	Interest in Property
Inland Cement Division		
Edmonton, Alberta	Cement plant	Freehold
Regina, Saskatchewan	Cement plant	Freehold
Winnipeg, Manitoba	Cement plant	Freehold
Cadomin, Alberta	Quarry	Freehold
Mafeking, Manitoba	Quarry	Freehold
Calgary, Alberta	Distribution centre	Freehold
Saskatoon, Saskatchewan	Distribution centre	Freehold
Port Arthur, Ontario	Distribution centre	Freehold
Brockville Chemical Division		
Maitland, Ontario	Chemical plant	Freehold
Chatham, Ontario	Mixed Fertilizer Plants	Freehold
Welland, Ontario		Freehold
Toronto, Ontario		Leasehold
Cornwall, Ontario*		Leasehold
Montreal, Quebec		Freehold
Ste. Foy, Quebec		Freehold
Saint John, N.B.		Leasehold
Saint John, N.B.*		Leasehold
Summerside, P.E.I.		Freehold
Windsor, N.S.		Freehold
Presqu'Isle, Maine*		Freehold
Caribou, Maine*		Freehold
Industrial Products Operations		
Sudbury, Ontario	Grinding ball foundry	Freehold
Sept Isles, Quebec	Warehouse	Freehold

* Properties owned or leased by subsidiaries; all other properties being owned or leased by the Company.

The annual lease rental for production facilities of the Company and its subsidiaries aggregates $29,000. In addition to the above principal properties, the Company and its subsidiaries lease sales and administrative offices in the United States and Canada for an aggregate annual rental of $192,000.

PRINCIPAL SHAREHOLDERS

As at March 31, 1968 the number of Common Shares of the Company owned of record or beneficially, directly or indirectly, by each person or company who owns of record, or is known by the Company to own beneficially, directly or indirectly, more than 10% of the Common Shares of the Company are as follows:

Name and Address	Type of ownership	Number of Common Shares owned	Percentage of outstanding Common Shares
Société Générale de Belgique, 3 Montagne du Parc, Brussels, Belgium.....	Of record and beneficially (1)	551,775 shs. (1)	11.33% (1)

(1) Including 150,000 Common Shares or 3.08% of the outstanding Common Shares of the Company owned beneficially and as of record by Société d'Entreprise et d'Investissements du Bécéka (Sibeka), a subsidiary of Société Générale de Belgique, and deemed to be beneficially owned by Société Générale de Belgique.

Société Générale de Belgique, incorporated in Brussels, Belgium in 1822, is a major developer of industry in Europe and other parts of the world and has substantial interests in chemical and cement industries.

As at March 31, 1968 the directors and senior officers of the Company as a group beneficially owned, directly or indirectly, 15,303 Common Shares or 0.31% of the outstanding Common Shares of the Company.

MANAGEMENT

Directors and Officers

The names and home addresses in full of the directors and officers of the Company, the positions and offices held by each and their principal occupations are as follows:

Name and Home Address	Office	Principal Occupation
Edward Cabell Wood,..... 3940 Cote des Neiges Road, Montreal, Quebec.	Chairman of the Board. .. and Director	Director of a Canadian chartered bank and other companies.
Edgar Van der Straeten,..... 6B rue du Châtelain, Brussels, Belgium.	Vice-Chairman of the..... Board and Director	Honorary Vice-Governor of Société Générale de Belgique.
August Albert Franck,..... 1455 Sherbrooke Street West, Montreal, Quebec.	President and Director....	President of the Company.
Charles de Bar, ... 57 Route Gouvernementale, Brussels, Belgium.	Executive Vice-President.. and Director	Executive Vice-President of the Company.

Name and Home Address	Office	Principal Occupation
Henry Blaise, 28 Avenue de l'Horizon, Brussels, Belgium.	Director	Advisor of Société Générale des Minerais Société Anonyme.
Francis Campbell Cope, Q.C., 13 Northcote Road, Hampstead, Quebec.	Director	Partner of Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault.
Walter Leslie Forster, C.B.E., 61 Summit Crescent, Westmount, Quebec.	Director	Consultant.
Serge Lambert, 23 Avenue du Manoir, Brussels, Belgium.	Director	Vice-Governor of Société Générale de Belgique.
William Earle McLaughlin, 67 Sunnyside Avenue, Westmount, Quebec.	Director	Chairman and President of a Canadian chartered bank.
Max Nokin, 345 Chaussée de Malines, Crainhem, Belgium.	Director	Governor of Société Générale de Belgique.
Charles C. Notebaert, 130 East End Avenue, New York, New York.	Director	President of African Metals Corporation.
Hon. Jean Raymond, Q.C., 1321 Sherbrooke Street West, Montreal, Quebec.	Director	President of Alphonse Raymond Limitée.
André de Spirlet, 2 Avenue du Brésil, Brussels, Belgium.	Director	Chairman of Compagnie Maritime Belge (Lloyd Royal) Société Anonyme.
Corneille Alfred Vandendries, 4300 Boulevard de Maisonneuve, Westmount, Quebec.	Director	President of Brockville Chemical Industries Limited, a division of the Company.
William Smith Ziegler, 13834 Ravine Drive, Edmonton, Alberta.	Director	President of Inland Cement Industries Limited, a division of the Company.
Bernard Thomas Johnson, 328 Roslyn Avenue, Westmount, Quebec.	Vice-President	Vice-President of the Company.
Angus Athole MacNaughton, 4334 Montrose Avenue, Westmount, Quebec.	Vice-President	Vice-President of the Company.
Lawrence Roy Sinclair, 159 Sommerhill Street, Dollard-des-Ormeaux, Quebec.	Treasurer	Treasurer of the Company.
William Watson Tinmouth, 185 Bedbrook Avenue, Montreal West, Quebec.	Secretary	Secretary of the Company.

All the directors and officers have held their present principal occupations for the past five years except as follows:

Mr. Edward C. Wood was President of Imperial Tobacco Company of Canada Limited until April, 1963 and its Chairman until December, 1964 and thereafter was a consultant. In April, 1966 Mr. Wood was appointed Chairman of the Board of the Company. Mr. E. Van der Straeten was a Vice-Governor of Société Générale de Belgique until November, 1964 when he became an Honorary Vice-Governor of that company. Mr. A. A. Franck was President of Indussa Corporation of New York until April, 1967 and was appointed President of the Company in April, 1964. Mr. C. de Bar was a Vice-President of the Company until February, 1966 when he was appointed Executive Vice-President. Mr. W. L. Forster was President of the Company until April, 1964. Dr. C. A. Vandendries was President of Brockville Chemicals Limited until November, 1965 when he became President of Brockville Chemical Industries Limited. Mr. W. S. Ziegler was President of Inland Cement Company Limited until November, 1965 when he became President of Inland Cement Industries Limited. Mr. B. T. Johnson was Vice-President of Brockville Chemicals Limited until November, 1965 and thereafter of Brockville Chemical Industries Limited until February, 1966 when he was appointed a Vice-President of the Company. Mr. A. A. MacNaughton was Treasurer of the Company until July, 1965 and was appointed a Vice-President of the Company in September, 1964. Mr. L. R. Sinclair was Controller of Inland Cement Company Limited until October, 1964 and thereafter was its Secretary-Treasurer until July, 1965 when he was appointed Treasurer of the Company. Mr. W. W. Tinmouth was solicitor with Zeller's Limited until July, 1965 when he was appointed Secretary of the Company. Mr. F. C. Cope, Q.C., has been a partner of the legal firm of Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault, or its predecessor firms for the last five years.

Remuneration

The aggregate direct remuneration paid by the Company and its subsidiaries to the directors and senior officers of the Company for the fiscal year ended December 31, 1967 was $447,379 and for the three months ended March 31, 1968 was approximately $91,000.

Pension Benefits

The estimated cost to the Company and its subsidiaries in the fiscal year ended December 31, 1967 of all pension benefits proposed to be paid in the aggregate to the directors and senior officers of the Company under their normal pension plans in the event of retirement at normal retirement age, directly or indirectly, was $18,830.

Other Benefits

The estimated aggregate amount of all remuneration payments (other than payments of the types referred to under the headings "Remuneration" and "Pension Benefits") proposed to be paid in the future, directly or indirectly, by the Company or any subsidiary pursuant to existing arrangements to directors and senior officers of the Company as a group is $101,666.

Interests of Management and Others

Mr. A. A. Franck, a director and senior officer of the Company, was Chairman of the Board and a director of Industrial Sales (1961) Limited, and was President and a director of Indussa (Canada) Limited at the time of their acquisition in 1966, and was President and a director of Indussa Corporation at the time it became a subsidiary of the Company; Mr. H. Blaise, a director of the Company, has been Chairman of the Board and a director of Indussa Corporation since March, 1965 prior to which time he was its Vice-Chairman and a director; Mr. W. L. Forster, a director of the Company, is Chairman of the Board and a director of McAllister Towing Ltd.; Mr. A. de Spirlet, a director of the Company, is Chairman of the Board and a director of Compagnie Maritime Belge

(Lloyd Royal) Société Anonyme; Mr. A. A. MacNaughton, a senior officer of the Company, is a Vice-President of McAllister Towing Ltd.; and Messrs. L. R. Sinclair and W. W. Tinmouth, senior officers of the Company, have been the Treasurer and a director and the Secretary and a director, respectively, of Neelon Steel Limited since August, 1965.

In addition, Dr. C. A. Vandendries and Messrs. W. L. Forster, W. S. Ziegler, B. T. Johnson and F. C. Cope, Q.C., directors and/or senior officers of the Company, have been directors and/or senior officers of one or more of Brockville Chemical Industries Limited, Inland Cement Industries Limited and Iroquois Glass Industries Limited (now Sogemines Glass Industries Limited) since their formation in 1965 and the said persons and Mr. L. R. Sinclair were directors and/or senior officers of one or more of Brockville Chemicals Limited, Inland Cement Company Limited and Iroquois Glass Limited at the time of the consolidation referred to under the heading "Organization and Development" on page 7. Dr. C. A. Vandendries and Messrs. W. S. Ziegler, F. C. Cope, Q.C., W. L. Forster, M. Nokin, J. Raymond, Q.C., A. A. MacNaughton and L. R. Sinclair as well as the Company were shareholders of Brockville Chemicals Limited, Inland Cement Company Limited and/or Iroquois Glass Limited at the time of the aforesaid consolidation. As a part of such consolidation proceedings a total of 3,465,505 of the Common Shares of the Company were received by Brockville Chemicals Limited, Inland Cement Company Limited and Iroquois Glass Limited. These Common Shares were distributed to the shareholders of the latter three companies with the result that the Company received 806,151 of such Common Shares and the above named individual shareholders received in the aggregate approximately 7,530 of such Common Shares.

Except for 5,145 Common Shares of the Company owned by one of its partners, neither Messrs. Ogilvy, Cope, Porteous, Hansard, Marler, Montgomery & Renault, Counsel for the Company, nor any partner therein, beneficially owns, directly or indirectly, any securities of the Company.

Options

Under the Company's Share Option Plan, a total of 150,000 Common Shares in the capital of the Company have been reserved for issuance upon the exercise of stock options granted or to be granted to employees, including directors holding salaried employment or office, at a price per share which is not less than 90% of the last recorded sale of shares on the last day of trading preceding the date the option is granted. All options expire on March 31, 1975. As at March 31, 1968 options to purchase 102,000 Common Shares had been granted, of which options for 16,950 Common Shares had been exercised leaving 85,050 Common Shares then under option as follows:

Options held by	Common Shares under option	Exercise price	Date of granting	Price of Common Shares at date of granting
Directors and senior officers of the Company	26,900 shs.	$11.50	Nov. 17, 1965	$12.75
	18,100	10.00	Nov. 10, 1966	11.00
	19,500	12.25	Dec. 26, 1967	13.50
Senior officers of subsidiaries	2,150 shs.	$11.50	Nov. 17, 1965	$12.75
	4,700	10.00	Nov. 10, 1966	11.00
	7,500	12.25	Dec. 26, 1967	13.50
Others (1)	4,000 shs.	$11.50	Nov. 17, 1965	$12.75
	2,200	10.00	Nov. 10, 1966	11.00

(1) Options held by Messrs. Pierre Andry and David Lindsay, who were formerly Executive Vice-President and Vice-President respectively of Iroquois Glass Industries Limited.

The 85,050 Common Shares presently under option are exercisable as to 34,650 Common Shares immediately, 17,050 Common Shares on or after December 1, 1968, 17,050 Common Shares on or after December 1, 1969, 10,900 Common Shares on or after December 1, 1970 and 5,400 Common Shares on or after December 1, 1971. As at April 2, 1968, the closing market price on the Montreal Stock Exchange of the Common Shares of the Company was $13.75 per share.

CAPITALIZATION

Designation of securities	Authorized or to be authorized	Outstanding at December 31, 1967	Outstanding at March 31, 1968	Amount to be outstanding at March 31, 1968 after giving effect to Offer (5)
First Mortgage Sinking Fund Bonds:	(1)			
5⅞% Series A due 1984	$ 4,500,000	$ 4,500,000	$ 4,500,000	$ 4,500,000
6¾% Series B due 1975	5,520,000	4,889,000	4,560,000	4,560,000
6¾% Series C due 1980	4,500,000	3,750,000	3,738,000	3,738,000
Other long-term debt:				
5¾% Bank Loan payable in annual instalments to 1972	3,500,000	2,500,000	2,000,000	2,000,000
6% Note payable in annual instalments to 1972	1,500,000	937,500	937,500	937,500
5.29% Note payable in annual instalments to 1970	1,200,000	720,000	720,000	720,000
5% Note of a subsidiary payable in annual instalments to 1971 (2)	5,200,000	5,200,000	5,200,000	5,200,000
6% Note of a subsidiary due 1979 (2)	515,000 U.S.	515,000 U.S.	515,000 U.S.	515,000 U.S.
6% First Mortgage Note of a subsidiary payable in monthly instalments to 1975 (2)	400,000 U.S.	—	307,000 U.S.	307,000 U.S.
Capital Stock:				
Common Shares without nominal or par value (3) (4)	8,000,000 shs.	4,868,610 shs.	4,868,610 shs.	(6)

(1) First Mortgage Bonds may be issued without limitation in amount but subject to the restrictions contained in the Trust Deed securing the First Mortgage Bonds. The outstanding First Mortgage Bonds are secured by a specific charge on the real and immoveable properties and rights of the Company and a floating charge on the remaining property and assets of the Company. Reference is made to the heading "Proposed Financing" on this page 16.

(2) The 5% Note of a subsidiary payable in annual instalments to 1971 is secured by a pledge of certain securities owned by it having a market value at December 31, 1967 of $5,800,000 and is guaranteed as to principal and interest by the Company. The 6% Note of a subsidiary due 1979 is guaranteed as to principal and interest by the Company. The 6% First Mortgage Note of a subsidiary payable in monthly instalments to 1975 is secured by a specific charge on the assets of such subsidiary. The long term debt of subsidiaries ranks ahead of the First Mortgage Bonds of the Company with respect to the assets of such subsidiaries.

(3) The Common Shares outstanding are shown after deducting the 806,151 Common Shares which were received by the Company as a result of its shareholdings in the companies which were consolidated with it in 1965.

(4) 133,050 Common Shares are reserved for the exercise of employee share options granted or to be granted, particulars of which are set forth on page 15. The Company proposes to issue approximately 6,100 Common Shares in connection with the acquisition of the shares of J. Kearns Transport Ltd. and 7,000 Common Shares in exchange for 40,000 common shares of Lynbar Mining Corporation Limited, representing a small minority interest in the latter company.

(5) The indebtedness of McAllister and its subsidiaries is not included.

(6) The number of Common Shares of the Company to be outstanding after giving effect to the Offer cannot at present be determined. The acceptance of the Offer by all shareholders of McAllister (other than the Company) would result in the issue by the Company of an additional 731,250 of its Common Shares, based on the issued and outstanding shares of McAllister as at the date of the Offer.

PROPOSED FINANCING

The Company is proposing to issue an additional series of its First Mortgage Bonds with Share Purchase Warrants, the amount and attributes of which are yet to be determined. The net proceeds of such issue, if, as and when issued, will be used to repay consolidated bank advances and acceptances and the balance of such proceeds, if any, will be added to the working capital of the Company.

MATERIAL CONTRACTS

Particulars regarding every material contract, in addition to the Offer, entered into by the Company and its subsidiaries within the two years preceding the date hereof, other than in the ordinary course of business, are as follows:

(i) Agreement dated August 1, 1966 between Neelon Steel Limited and the Company pursuant to which the Company acquired the assets of Neelon Steel Limited for a price of $1,312,927;

(ii) Agreement dated March 30, 1967 between Consumers Glass Company Limited and the Company pursuant to which the Company sold the assets and operations which comprised its Iroquois Glass Division for $5,000,000 in cash and $4,926,000 principal amount of 6¾%

Secured Debentures and a further principal amount of such Debentures to reflect ultimate values of inventories and accounts receivable sold;

(iii) Offer dated March 1, 1967 made to the shareholders of Indussa Corporation to acquire all the outstanding shares of Indussa Corporation on a share exchange basis of 12 Common Shares of the Company for each $100 par value share of Indussa Corporation which was accepted by all shareholders of Indussa Corporation resulting in the issuance of 125,256 Common Shares of the Company;

(iv) Agreement made as of April 19, 1967 between Canada Packers Limited and the Company pursuant to which the Company purchased from Canada Packers Limited the latter's fertilizer operations in eastern Canada for a price of $16,331,000;

(v) Agreement made as of April 19, 1967 between Canada Packers Limited and the Company pursuant to which the Company purchased from Canada Packers Limited all of the outstanding shares of Shur-Gain, Inc. (now Brockville Chemical Inc.) for a price of $500,000;

(vi) Agreement dated July 21, 1967 between Frank J. Adby, Lorna Adby and the Company pursuant to which the Company purchased all of the outstanding shares of Adby Construction & Transport Co. Ltd. for a price of $709,535;

(vii) Agreement dated October 23, 1967 between Albatros Superfosfaatfabrieken N.V. and the Company pursuant to which the Company acquired on January 16, 1968 from Albatros Superfosfaatfabrieken N.V. all the outstanding shares of International Fertilizers Limited and Albatros Fertilizers, Inc. for a price of $1,195,000;

(viii) The Agreements which are referred to under the heading "Arrangements between the Company and Major Shareholders of McAllister" on page 18; and

(ix) Agreement dated as of April 15, 1968, between the Company, Pitfield, Mackay, Ross & Company Limited and Richardson Securities of Canada, by which Pitfield, Mackay, Ross & Company Limited and Richardson Securities of Canada have agreed to form a Soliciting Dealer Group to procure acceptances of the Offer from Canadian shareholders of McAllister and the Company has covenanted to pay (a) to Pitfield, Mackay, Ross & Company Limited and Richardson Securities of Canada a management fee of $15,000, and (b) to the Soliciting Dealer Group, in respect of acceptances procured through its members, a fee of 12¢ per share of McAllister exchanged, subject to a minimum fee of $12 in respect of any single owner of shares of McAllister.

Copies of such agreements may be inspected during ordinary business hours at the head office of the Company during the Offering Time.

The Company has entered into other agreements for the purchase or acquisition of property, shares or assets, none of which agreements individually involves a commitment of more than $350,000 on the part of the Company nor is considered to be material.

REGISTRAR AND TRANSFER AGENT

Montreal Trust Company at its principal offices in Montreal, Toronto, Winnipeg and Edmonton is the Registrar for the First Mortgage Bonds, Series A to C inclusive, of the Company.

Montreal Trust Company at its principal offices in Saint John, Montreal, Toronto, Edmonton and Vancouver is the Registrar and Transfer Agent for the Common Shares of the Company.

AUDITORS

The auditors of the Company are McDonald, Currie & Co., Chartered Accountants, 630 Dorchester Boulevard West, Montreal, Quebec.

SHAREHOLDERS OF McALLISTER

No securities of McAllister are beneficially owned, directly or indirectly, by the Company or an associate of the Company, other than 187,500 shares of McAllister owned by the Company.

No securities of McAllister are beneficially owned, directly or indirectly, by directors or senior officers of the Company or their associates other than:

Name	Position	Number and Designation of Securities
A. A. Franck	Director and President	100 shares
A. A. MacNaughton	Vice-President	2,500 shares(1)
B. T. Johnson	Vice-President	300 shares
F. C. Cope, Q.C.	Director	500 shares
W. L. Forster	Director	1,000 shares(2)

(1) 1,500 of these shares are owned by associates.
(2) These shares are owned by an associate.

The directors and senior officers of the Company have no knowledge of any person or company who beneficially owns, directly or indirectly, equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company for the time being outstanding and who beneficially owns directly or indirectly any securities of McAllister.

TRADING IN EQUITY SHARES OF McALLISTER

The directors or senior officers of the Company have no knowledge of any equity shares of McAllister traded by the Company, an associate of the Company, a director and a senior officer of the Company and their associates or by a person or company who beneficially owns, directly or indirectly, equity shares of the Company carrying more than 10% of the voting rights attached to all equity shares of the Company for the time being outstanding, during the six-month period preceding the date of the Offer except that senior officers of the Company sold 400 shares of McAllister on October 25, 1967 and 100 shares of McAllister on October 27, 1967, both sales being for a price of $11½ per share, and purchased 300 shares of McAllister on February 8, 1968 for a price of $9⅜ per share.

ARRANGEMENTS BETWEEN THE COMPANY AND MAJOR SHAREHOLDERS OF McALLISTER

The Company has signed an Agreement of Intent dated September 29, 1967 with McAllister Brothers Inc. of New York and has reached an agreement in principle with Compagnie Maritime Belge (Lloyd Royal) Société Anonyme of Brussels, Belgium, which own 37.5% and 18.75% of the outstanding shares of McAllister, respectively, to make a share exchange offer on the basis set forth in the Offer. The Agreement of Intent with McAllister Brothers Inc. provides that (i) recommendation will be made to the shareholders of the Company to receive a nominee of McAllister Brothers Inc. on the Board of Directors of the Company for so long as McAllister Brothers Inc. holds, either directly or indirectly, not less than 200,000 Common Shares of the Company, and (ii) the representatives of the Company and McAllister Brothers Inc. on the Board of McAllister will vote at a meeting of the Board of Directors of McAllister for the payment of a dividend of 30¢ per share prior to the Company becoming the owner of the shares of McAllister.

By Agreement dated October 28, 1964, the Company and Compagnie Maritime Belge (Lloyd Royal) Société Anonyme (the Belgian Group) and McAllister Brothers Inc. agreed, inter alia, that the Belgian Group and McAllister Brothers Inc. would act in concert for the purpose of electing the directors of McAllister and for tne purpose of authorizing certain other corporate matters of McAllister. Certain rights of first refusal with respect to the shares of McAllister held by the said parties were also granted pursuant to the terms of this Agreement. This Agreement provides, in effect, that notice of termination may be given by the Belgian Group in the event that McAllister Brothers Inc. no longer owns or controls 65% of its present shareholdings of McAllister.

DIRECTORS' APPROVAL

At a meeting of the Board of Directors of the Company held on March 20, 1968, the contents of this circular were approved and its delivery authorized.

SOGEMINES LIMITED
and subsidiary companies (Note 1)

Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet as at December 31, 1967

The Pro Forma Consolidated Balance Sheet gives effect to the transactions set out in Note 2 on page 21.

Assets

	Actual	Pro Forma
Current Assets		
Accounts and notes receivable	$ 23,747,857	$ 26,864,318
Inventories (Note 3)	10,871,601	13,532,867
Prepaid expenses	331,518	407,707
	34,950,976	40,804,892
Special Refundable Income Tax	333,000	340,455
Investments		
Marketable securities—at cost (quoted value—$8,690,179) (Note 4)	9,757,352	9,757,352
Other securities—at cost	16,693,894	17,754,651
Participations in real estate (Note 5)	1,639,134	1,639,134
Deposit of purchase price of shares (Note 2)	1,195,000	—
	29,285,380	29,151,137
Fixed Assets		
Land, buildings, machinery and equipment (Note 6)	82,039,206	85,578,588
Accumulated depreciation	12,300,401	14,780,151
	69,738,805	70,798,437
	$134,308,161	$141,094,921

Liabilities

Current Liabilities		
Bank advances and acceptances	$ 13,195,493	$ 17,139,777
Accounts payable and accrued liabilities	13,576,011	16,077,721
Advances from associated companies	2,060,631	2,060,631
Dividend payable	3,261,012	3,261,012
	32,093,147	38,539,141
Long-Term Debt (Note 7)	23,053,987	23,394,753
	55,147,134	61,933,894

Shareholders' Equity

Capital Stock (Notes 8, 9, 10 and 11)		
Authorized—8,000,000 common shares without nominal or par value		
Issued and fully paid—4,868,610 shares	62,718,337	62,718,337
Contributed Surplus (Note 12)	5,855,917	5,855,917
Retained Earnings	10,586,773	10,586,773
	79,161,027	79,161,027
	$134,308,161	$141,094,921

The notes on pages 21 to 23 inclusive form an integral part of the above Consolidated Balance Sheets and should be read in conjunction therewith.

Approved on behalf of the board:

(Sgd.) Edward C. Wood, Director. (Sgd.) A. A. Franck, Director.

SOGEMINES LIMITED
and subsidiary companies (Note 1)

Combined and Consolidated Statements of Earnings and Retained Earnings for the Five Years ended December 31, 1967

(in thousands of dollars)

	1963	1964	1965	1966	1967
Sales (Note 15)	$28,872	$30,785	$37,198	$45,287	$88,038
Income from investments	978	692	755	657	910
	29,850	31,477	37,953	45,944	88,948
Cost of sales, including selling, general and administrative expenses	21,740	23,145	28,551	35,132	77,930
	8,110	8,332	9,402	10,812	11,018
Interest on long-term debt	1,231	1,288	1,275	1,215	1,246
Depreciation	3,366	3,650	3,753	4,323	4,387
Amortization of deferred expenditures	108	108	—	—	—
	4,705	5,046	5,028	5,538	5,633
Net earnings before income taxes	3,405	3,286	4,374	5,274	5,385
Income taxes (Note 13)	1,168	7	—	2	164
Net earnings for the year (Note 13)	$ 2,237	$ 3,279	$ 4,374	$ 5,272	$ 5,221
Retained earnings at beginning of year	$ 6,487	$ 7,469	$10,003	$ 5,468	$ 8,126
Net earnings for the year	2,237	3,279	4,374	5,272	5,221
Net gain (loss) on sale of investments	(258)	249	—	441	—
Net gain on sale of assets and operations of the Iroquois Glass Division	—	—	—	—	1,825
	8,466	10,997	14,377	11,181	15,172
Dividends—preferred shares	774	774	—	—	—
—common shares	69	69	2,821	3,055	3,165
Amalgamation and financing expenses	—	—	499	—	—
Mining, exploration and development expenses	154	151	—	—	—
Non-recurring costs and expenses of mixed fertilizer operation (Note 14)	—	—	—	—	1,420
Pre-production and organization expenses	—	—	103	—	—
Distribution to shareholders of amalgamated companies (Note 1)	—	—	5,486	—	—
	997	994	8,909	3,055	4,585
Retained earnings at end of year	$ 7,469	$10,003	$ 5,468	$ 8,126	$10,587

The notes on pages 21 to 23 inclusive form an integral part of the above Combined and Consolidated Statements of Earnings and Retained Earnings and should be read in conjunction therewith.

SOGEMINES LIMITED

and subsidiary companies

Notes to the Financial Statements

1. Principles of Consolidation

The financial statements include the accounts of all companies which were subsidiaries as at December 31, 1967, except that the accounts of one company in which a 50% interest is held were considered insignificant and have not been included. The accounts of subsidiaries acquired since December 31, 1967 have been included in the pro forma consolidated balance sheet only.

The combined and consolidated statements of earnings and retained earnings include, on a combined basis, the results of the operations of Brockville Chemicals Limited, Inland Cement Company Limited and Iroquois Glass Limited for the period from January 1, 1963 to the effective dates of their amalgamation (by acquisition by Sogemines Limited in 1965) with those of Sogemines Limited. The results of the operations of the subsidiary companies and of the mixed fertilizer operation acquired in 1967 are included from the dates of their acquisition.

A result of the amalgamation by acquisition referred to above was that $5,486,000 of the retained earnings of the three companies whose operations were acquired was distributed to their shareholders other than Sogemines Limited in the form of common shares of Sogemines Limited (Note 9). This amount has been deducted from the combined retained earnings in 1965.

2. Pro Forma Consolidated Balance Sheet

The pro forma consolidated balance sheet gives effect as at December 31, 1967 to the acquisition of all of the outstanding shares of certain companies, including International Fertilizers Limited and Albatros Fertilizers, Inc., since December 31, 1967 for an aggregate cash consideration of $1,524,665 (including $1,195,000 shown on the consolidated balance sheet as deposit of purchase price of shares) and the consolidation of their accounts with those of Sogemines Limited. It does not give effect to the acquisition of any shares of McAllister Towing Ltd., which may be acquired as a result of the Offer set forth on pages 3 and 4.

3. Inventories

Inventories have been valued at the lower of cost and either replacement cost or net realizable value and are classified as follows:

	Actual	Pro forma
Finished goods and work in process	$ 5,685,296	$ 6,597,637
Raw materials and manufacturing supplies	3,424,390	5,138,735
Maintenance and repair parts	1,761,915	1,796,495
	$10,871,601	$13,532,867

4. Marketable Securities

Securities having a market value of $5,800,000 are pledged as security for a 5% note payable in the amount of $5,200,000.

5. Participations in Real Estate

Participations in real estate are valued at cost except for one where provision has been made for profits or losses and withdrawals.

6. Fixed Assets

Fixed assets are stated at cost except that an amount has been included which represents the difference between the cost of the investments of Sogemines Limited in the new subsidiaries which were created upon the amalgamation by acquisition in 1965 and the stated value of the net tangible assets represented by those investments, after giving effect to subsequent disposals.

The fixed assets are divided between depreciable and non-depreciable properties as follows:

	Actual	Pro forma
Land	$ 956,638	$ 1,133,525
Buildings, machinery and equipment (Note 13)	81,082,568	84,445,063
Less: Accumulated depreciation	12,300,401	14,780,151
	68,782,167	69,664,912
	$69,738,805	$70,798,437

7. Long-Term Debt

First Mortgage Sinking Fund Bonds	Actual	Pro forma
5⅞% Series A due 1984	$ 4,500,000	$ 4,500,000
6¾% Series B due 1975	4,889,000	4,889,000
6¾% Series C due 1980	3,750,000	3,750,000
5¾% bank loan payable in annual instalments to 1972	2,500,000	2,500,000
6% note payable in annual instalments to 1972	937,500	937,500
5.29% note payable in annual instalments to 1970	720,000	720,000
5% note of a subsidiary payable in annual instalments to 1971 (Note 4)	5,200,000	5,200,000
6% note of a subsidiary due 1979 ($515,000 U.S.)	557,487	557,487
6% First Mortgage Note of a subsidiary due 1975 ($315,500 U.S.)	—	340,766
	$23,053,987	$23,394,753

Payments required in the next five years to meet debt instalments and sinking fund provisions are as follows:

Year ended December 31	Actual	Pro forma
1968	$ 2,837,500	$2,875,646
1969	3,062,500	3,103,000
1970	3,302,500	3,345,497
1971	3,062,500	3,108,148
1972	1,762,500	1,810,963

8. Capital Stock

During 1967, 125,256 common shares were issued at $15 per share in exchange for all outstanding shares of Indussa Corporation, 16,950 common shares were issued to employees under the terms of the share option plan referred to below for a total consideration of $191,175 and 25,000 common shares were issued for cash at $13.50 per share.

Shares issued and fully paid are shown after deducting the 806,151 common shares, at their issue price of $15 per share, which were received by Sogemines Limited as a result of its shareholdings in the companies with which it amalgamated by acquisition in 1965.

Acceptance of the Offer by all shareholders of McAllister Towing Ltd. (other than the Company) would result in the issue by the Company of an additional 731,250 of its common shares based on the issued and outstanding shares of McAllister Towing Ltd. as at the date of the Offer.

Reference is also made to Note 18 for details of additional shares of Sogemines Limited which may be issued.

9. Shares Issued for a Consideration Other Than Cash

During the five year period, the following common shares of Sogemines Limited were issued for a consideration other than cash:

1965—Issued in accordance with the agreement authorizing the amalgamation by acquisition of Brockville Chemicals Limited, Inland Cement Company Limited and Iroquois Glass Limited with Sogemines Limited: —3,465,505 common shares for a total value of $51,982,582 (see Note 8);

1967—Issued in exchange for all of the outstanding shares of Indussa Corporation on the basis of 12 common shares of Sogemines Limited for each outstanding share of Indussa Corporation:—125,256 common shares for a total value of $1,878,840.

10. Share Options

Sogemines Limited has reserved 150,000 of its common shares for a share option plan for its employees. Options are granted at a price which is not less than 90% of the last recorded sale of shares at the date of granting and expire not later than March 31, 1975. To date, options to purchase 70,500 common shares have been granted to employees who were either officers or directors and options to purchase 31,500 common shares have been granted to other employees. Of these common shares, 16,950 have been issued. Reference is made to the heading "Options" on page 15.

11. Dividend Restrictions

Sogemines Limited may not pay any cash dividends unless it complies with certain covenants contained in the Trust Deed for the First Mortgage Bonds.

12. Contributed Surplus

Combined contributed surplus arising from the issue of par value stock at a premium amounted to $11,629,177 at January 1, 1963. As a result of the amalgamation by acquisition in 1965 referred to in Note 1 this amount was reduced to $5,855,917 by a distribution in the form of common shares of Sogemines Limited to the shareholders of Inland Cement Company Limited, amalgamated by acquisition in that year.

13. Income Taxes

The combined and consolidated statements of earnings and retained earnings for the five years ended December 31, 1967 reflect the reduction in or elimination of income taxes by claiming capital cost allowances in excess of depreciation recorded in the accounts and, in certain years, claiming for income tax purposes mining exploration and development expenses which were deferred in the accounts.

Had the deferred method of accounting for income taxes been applied throughout the five years in respect of excess capital cost allowances claimed and deferred mining exploration and development expenses, the provisions for income taxes and combined and consolidated net earnings would have been approximately as follows:

Year	Provision for income taxes	Net earnings
1963	$1,565,000	$1,840,000
1964	1,063,000	2,223,000
1965	1,868,000	2,506,000
1966	2,181,000	3,093,000
1967	1,770,000	3,615,000

Of the net book value of depreciable assets at December 31, 1967, approximately $12,028,000 has been used as capital cost allowances to defer taxes. This amount, together with an additional $14,659,000, will not be available to reduce taxable profits in future years.

14. Non-Recurring Costs and Expenses of the Mixed Fertilizer Operation

The acquisition of the mixed fertilizer operation in 1967 was after the close of the principal selling season and as a result certain costs and expenses incurred subsequently could not be recovered in the year. Because of the non-recurring nature of these costs and expenses as related to that year, Sogemines Limited elected to absorb them by a charge to retained earnings.

15. Increase in Sales

The operations of Indussa Corporation, a trading company with a low profit margin, which was acquired in 1967 accounted for most of the increase in sales during that year.

16. Net Earnings Available for Payment of Interest

The combined and consolidated net earnings for the five years ended December 31, 1967 which were available for the payment of interest on the long-term obligations of the Company after deduction of interest on the long-term obligations of subsidiaries and withholding taxes which would have been payable on the distribution of the income of subsidiaries in the United States if such income had been distributed were:

1963	$3,507,000
1964	$4,610,000
1965	$5,630,000
1966	$6,487,000
1967	$6,341,000

17. Rate of Exchange

The accounts of the foreign subsidiaries have been converted to Canadian dollars at the following rates of exchange:

(i) Fixed assets at rates at the date of each acquisition;

(ii) Long-term debt at rates at the date of each transaction;

(iii) Other assets and liabilities at the rate at December 31, 1967;

(iv) Revenues and expenses, other than depreciation, at average rates in effect during the relevant periods; and

(v) Depreciation at rates effective on the dates on which the expenditures on the related assets were made.

18. Proposed Transactions

(i) Sogemines Limited has entered into a letter of intent with respect to the acquisition of all the outstanding shares of J. Kearns Transport Ltd. and proposes to acquire 40,000 common shares of Lynbar Mining Corporation Limited representing a small minority interest. As part of the consideration of these acquisitions Sogemines Limited proposes to issue approximately 13,100 of its common shares.

(ii) Sogemines Limited proposes to issue an additional series of First Mortgage Bonds with Share Purchase Warrants, the amount and attributes of which are yet to be determined.

Auditors' Report

To the Directors,
Sogemines Limited.

We have examined the consolidated balance sheet and pro forma consolidated balance sheet of Sogemines Limited and subsidiary companies as at December 31, 1967 and the combined and consolidated statements of earnings and retained earnings for the five years ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion:

(a) the accompanying consolidated balance sheet presents fairly the financial position of the companies as at December 31, 1967;

(b) the accompanying pro forma consolidated balance sheet presents fairly the financial position of the companies as at December 31, 1967 after giving effect to the changes set forth in Note 2 to the financial statements; and

(c) the accompanying combined and consolidated statements of earnings and retained earnings present fairly the combined and consolidated earnings and retained earnings of the companies, including those companies which were amalgamated by acquisition in 1965, for the five years ended December 31, 1967;

all in accordance with generally accepted accounting principles applied in all material respects on a consistent basis.

Montreal, Quebec, April 16, 1968.

(Sgd.) McDonald, Currie & Co.

Chartered Accountants.

Consent of Auditors

To Sogemines Limited

We hereby consent to the use of our report dated April 16, 1968 on the consolidated balance sheet and pro forma consolidated balance sheet of Sogemines Limited and subsidiary companies as at December 31, 1967, and the combined and consolidated statements of earnings and retained earnings for the five years ended on that date, appearing in the circular accompanying the Offer by Sogemines Limited to shareholders of McAllister Towing Ltd.

Montreal, Quebec, April 16, 1968.

(Sgd.) McDonald, Currie & Co.

Chartered Accountants.

LETTER OF TRANSMITTAL

To accompany certificates for shares of McALLISTER TOWING LTD. delivered pursuant to the Offer of SOGEMINES LIMITED.

Please read carefully the instructions on page 26 before completing this letter of transmittal.

Date: , 1968.

MONTREAL TRUST COMPANY,
777 Dorchester Blvd. West,
Montreal, Quebec.

MONTREAL TRUST COMPANY,
15 King St. West,
Toronto, Ontario.

MONTREAL TRUST COMPANY,
Notre Dame at Albert St.,
Winnipeg, Manitoba.

MONTREAL TRUST COMPANY,
1695 Hollis St.,
Halifax, Nova Scotia

MONTREAL TRUST COMPANY,
10185-102 St.,
Edmonton, Alberta.

MONTREAL TRUST COMPANY,
43 King St.,
Saint John, New Brunswick

MONTREAL TRUST COMPANY,
466 Howe St.,
Vancouver, British Columbia.

(select appropriate address)

Dear Sirs:

The undersigned, owner of, and with full authority to sell and transfer, the shares thereby represented, hereby delivers to you the following share certificate(s) for shares without nominal or par value of the capital stock of McALLISTER TOWING LTD. (herein called "McAllister"):

CERTIFICATE NUMBER	NAME IN WHICH REGISTERED	NUMBER OF SHARES

(If space insufficient please attach list)

The undersigned hereby irrevocably delivers, subject to the right of withdrawal mentioned in the Offer, such shares of McAllister and assigns all right, title and interest therein to SOGEMINES LIMITED (herein called "the Company") to be exchanged on the basis of nine fully paid and non-assessable common shares without nominal or par value (herein called the "Common Shares") of the capital stock of the Company for each ten shares without nominal or par value of the capital stock of McAllister.

Said certificates are delivered to you pursuant to the Offer made by the Company to the holders of shares of McAllister under date of April 16, 1968, which Offer is hereby accepted by the undersigned. You are hereby appointed the agent of the undersigned for the purpose of effecting the exchange.

Please issue the Common Share certificate(s) and, where appropriate, a cheque in the name specified below and mail same by insured mail to the address for that purpose designated below, or if so indicated, deliver such Common Share certificate(s) and cheque against counter receipt. If the conditions referred to in paragraph 3 of the Offer are not fulfilled and are not waived by the Company, this letter of transmittal and certificate(s) representing the shares delivered hereby are to be returned in the same manner as is provided for in the preceding sentence.

Issue in name of (Please print)

Name.....

Address.....
(Street Address or P.O. Box)

.....
(City - Province)

Deliver (Indicate alternative desired)

☐ To same address as for issuance

or

☐ To.....

.....
(Street Address or P.O.Box)

.....
(City - Province)

or

☐ Against counter receipt

Signature Guaranteed

.....
(See item 2 of instructions)

X

.....
(Signature)

(Signature of shareholder as indicated on face of certificate or authorized representative as agent)

INSTRUCTIONS OVERLEAF

INSTRUCTIONS

1. Use of Letter of Transmittal

Each shareholder of McAllister desiring to accept the Offer shall send or deliver this letter of transmittal, completely filled in and signed, together with the share certificate(s) described therein, to Montreal Trust Company (hereinafter referred to as the "Exchange Agent"), at any of its offices at 1695 Hollis St., Halifax, Nova Scotia; 43 King St., Saint John, New Brunswick; 777 Dorchester Blvd. West, Montreal, Quebec; 15 King St. West, Toronto, Ontario; Notre Dame at Albert St., Winnipeg, Manitoba; 10185—102 St., Edmonton, Alberta; or 466 Howe St., Vancouver, British Columbia. The method of delivery of shares of McAllister to the Exchange Agent is at the option and risk of the holder, but if mail is used, registered mail is suggested. Share certificate(s) registered in the name of the person by whom (or on whose behalf) the letter of transmittal is signed need not be endorsed or accompanied by any stock power other than the letter of transmittal itself executed in accordance with item 2 below. Share certificates not so registered must be endorsed by the registered holder thereof or accompanied by stock transfer powers duly and properly completed by such registered holder, with signature guaranteed in either case as provided in item 2 below and must be in proper form for transfer.

2. Signature of Letter of Transmittal

(a) The letter of transmittal must be filled in and signed by the shareholder accepting the Offer or by his duly authorized representative. Such signature must be guaranteed by a bank or trust company having a Montreal office or correspondent or by a firm having membership in a recognized Canadian stock exchange or in some other manner satisfactory to the Exchange Agent.

(b) Where the letter of transmittal is executed on behalf of a corporation, partnership or association or by an agent, executor, administrator, trustee, tutor, curator, guardian or any person acting in a representative capacity, the letter of transmittal must be accompanied by satisfactory evidence of authority to act.

(c) Where the letter of transmittal is executed by a married woman, she must, if her husband's authorization is necessary, be authorized by her husband by means of his writing under the guarantee of her endorsement the words "to authorize my wife" and adding his signature, which must be guaranteed as described above.

(d) If additional copies of the letter of transmittal are desired for any purpose, they may be obtained from the Exchange Agent.

THIS SPACE RESERVED FOR EXCHANGE AGENT

McAllister Shares Received	The Company Common Shares Issued	The Company Cash Issued
.....Shares	.....Shares	$.....
Checked	File	

By.....

Date.....

Investment Dealer or Broker, if any, through whom delivery of shares effected.

_____

Name

_____

Address